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The book throughout is especially good for its abundant citation of sources of authority. The notes should prove useful to the earnest student seeking further information along the line of any of the topics discussed. An ample index is also a helpful part of the work.

Perhaps in places the discussion wanders rather widely afield. The treatment of the Clayton act of course has a bearing on industrial bonds, the topic under which it is presented, but so have many other matters one would hardly think of going into at length in a book on bonds. The particular manner of the treatment of corporate reorganizations would fit a book on corporation finance rather better than a book on investments. Such discursiveness is natural enough, however, in a field where the boundaries of the several lots are hardly yet surveyed.

The chapter headings sufficiently indicate the field covered. They are: 1, The Field of Investment; 2, United States and Foreign Government Bonds; 3, State Bonds; 4, County, Municipal and District Bonds; 5, Steam Railroad Bonds; 6, Public Service Corporation Bonds; 7, Industrial Bonds. The book collects a vast amount of information on many topics, and will be useful for reference after the original reading, and for those who do not read except by reference. The succinct and up-to-date statements of the history of the state debts, and the summary of numerous municipal defaults are examples of a large amount of matter useful for reference.

HASTINGS LYON.

Holders of Railroad Bonds and Notes: Their Rights and Remedies. By LOUIS HEFT. (New York: E. P. Dutton and Company. 1916. Pp. xvi, 419. \$2.00.)

The subject discussed in this book is one of great contemporary interest, not only to the practical investor but to the theoretical student of finance. The rights that are involved in the ownership of corporation liabilities are of so wide and varied a nature that they touch the extremities of mere statutory law and the most profound distinctions of modern economic theory. When a corporation is successful, one bond or note is better than another only in the amount of its income yield; but in the presence of threatened or actual bankruptcy, the question of income yield is insignificant compared to that of the relative priority of rights to the actual property of the bankrupt. In truth, there are two

altogether different standards to be applied in assaying the value of an investment security, one set for fair weather and one set for foul weather. The rights of a railroad bondholder are simple and clear so long as the railroad is prosperous, but when the railroad property goes into the hands of receivers those rights assume so new, so complex, and so unpredictable a character that the most profound student of law and finance can not define them with accuracy. It is this change of viewpoint which makes the whole subject of corporation failure and reorganization at once the most intricate and the most fascinating phase of corporation finance.

This twofold character of the rights of the holders of railroad evidences of debt is indicated by the author of *Holders of Railroad Bonds and Notes* more by the division of his chapters than by any conscious recognition of a duality of legal or economic rights. For this reason, largely because of the greater simplicity of the subject-matter, the author's discussions covering the first set of rights—those of fair weather sailing—are strikingly better than those covering the rights at and following failure. His first three chapters, dealing with the legal phrases of the ordinary issue of railroad bonds, are clear and for the most part very comprehensive. The accepted meanings of terms and the ordinary statutory provisions covering railroad obligations and their issue are so well established that the author's sweeping generalities can be accepted without much qualification.

But when the writer comes to the later chapters, dealing with the second set of rights—those to be exercised in case of the bankruptcy of the issuing corporation—he is not so fortunate. The besetting evil is just this over-confidence in legal forms. It is presaged in the fourth page of the introduction to his book when he asserts that "The legal value of a railroad security is the foundation of both its market and intrinsic value." This is a fiction of the legal fraternity. For if there is any one paramount lesson we have learned from the railroad reorganizations of the middle nineties it is that the ultimate test of railroad security lies not in its legality but in its economic position. The amount of respect shown a railroad security by the shrewd business men who act on reorganization committees depends but little upon legal phraseology. It rests merely on the answer to the question, "What does the property behind the security earn?" And the law courts have done their part to destroy our confidence in the strict con-

struction of legal phraseology. Beginning way back in 1879, when the leading case of *Fosdick v. Schall* (99 U. S. 235) permitted a multitude of ordinary current claims to be interposed ahead of mortgage bonds, down to last year, when the Denver & Rio Grande repudiated with impunity its guarantee of the Western Pacific bonds, there has been a decreasing respect for legal form and an increasing reliance on economic postulates. A bond may have all the strength of legal form and all the protecting provisions that a congress of jurists might inject into it, but if the railroad itself—the rails, the ties, and roadbed—has little earning power, the strength of legal phraseology does not help the bondholder in the least. One may hazard the guess that there is no field of modern economic relations where legal phrases count for as little as in railroad reorganization; and as time passes their significance seems to become less. Even the ostensible rights of the holders of receivers' certificates, which every one thought protected by the mantle of the court, have been set aside by the exigencies of economic necessity (Atlanta, Birmingham and Atlantic case).

Besides the author's complacent confidence in legal fictions there are two rather serious faults with the book—its dogmatic tone and the total absence of references. The reader is continuously surprised to find moot questions, particularly questions of priority of rights in the bankrupt estate, dismissed with a single categorical statement. One wishes they were so unequivocal and simple, for one's own peace of mind if for nothing more; but perhaps, after all, it is the eternally new and unexpected that gives that unsatisfied fascination which goes with the study of reorganizations. The other fault, that of a complete absence of references, is inexcusable. Not a single case is cited nor a specific illustration referred to. The author has thus completely obliterated all means of following him beyond his own pages.

The great value of the book is in the clearness of its style and the comprehensive character with which it surveys the legal aspects of railroad bonds and notes.

ARTHUR S. DEWING.

NEW BOOKS

BARBER, H. L. *Making money make money. A primer of investing.* (Chicago: A. J. Munson & Co. 1916. Pp. 315. \$1.50.)

BRISCO, N. A. *Fundamentals of salesmanship.* (New York: Longmans. 1916. \$1.50.)